

Message Text

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TAGS: EGIN, EFIN, MARR, PFOR, SP

SUBJ: TREATY OF FRIENDSHIP AND COOPERATION -"REPORT OF THE JOINT
ECONOMIC COMMITTEE TO THE MAY 12 MEETING OF THE US-SPANISH
COUNCIL

REF: MADRID 3343, STATE 103036

1. FOLLOWING IS THE COMPLETE AGREED TEXT OF THE REQUIRED
REPORT OF THE JOINT ECONOMIC COMMITTEE TO THE UNITED STATES -
SPANISH COUNCIL WHICH S/S WILL WISH TO PLACE IN THE SECRETARY'S
BRIEFING BOOK:

2. BEGIN TEXT:

SPAIN AND THE UNITED STATES HAVE USED THE JOINT ECONOMIC
COMMITTEE TO FURTHER THEIR SHARED GOALS OF ECONOMIC GROWTH,
TRADE EXPANSION, OTHER ECONOMIC RELATIONS AND AS A VALUABLE
SUPPLEMENT TO FREQUENT REGULAR DIPLOMATIC CONTACTS. THE FIRST
MEETING OF THE COMMITTEE WAS HELD ON MARCH 14, 1977 AT THE
MINISTRY OF FOREIGN AFFAIRS IN MADRID. CO-CHAIRMEN WERE EXCMO.
SR. D. CARLOS GAMIR PRIETO, DIRECTOR GENERAL OF INTERNATIONAL
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ECONOMIC AFFAIRS, MINISTRY OF FOREIGN AFFAIRS, FOR SPAIN, AND
MR. JULIUS KATZ, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND
BUSINESS AFFAIRS FOR THE UNITED STATES. AFTER A GENERAL PRE-
SENTATION OF THE UNITED STATES' FOREIGN ECONOMIC POLICY, THE
DELEGATIONS REVIEWED THE SPANISH ECONOMIC SITUATION WITH PARTI-
CULAR ATTENTION TO EXTERNAL ACCOUNTS AND DISCUSSED A NUMBER OF
BILATERAL TRADE ISSUES IN THAT CONTEXT. THESE ISSUES WERE AS

FOLLOWS:

SPECIAL STEELS

THE SPANISH SIDE REQUESTED THAT THE U.S. QUOTA SYSTEM BE RECONSIDERED AND, SHOULD THIS NOT BE POSSIBLE, THAT A SPECIFIC QUOTA BE ALLOTTED TO SPAIN FOR STAINLESS STEEL BARS AND IN ANY REDISTRIBUTION OF UNUTILIZED QUOTAS. THE US SIDE RESPONDED THAT THE QUOTA SYSTEM WAS BEING REVIEWED AND THAT THE ESTABLISHMENT OF A SEPARATE QUOTA FOR SPAIN FOR STAINLESS STEEL BARS WOULD BE CONSIDERED IF THE QUOTA SYSTEM CONTINUED.

SUBSEQUENTLY, SPAIN HAS OFFICIALLY REQUESTED THE ESTABLISHMENT OF A SPECIFIC QUOTA OUTSIDE THE "BASKET" OR GENERAL QUOTA.

ITC'S ACTION ON SHOES

THE SPANISH SIDE CONSIDERED THIS SUBJECT AS THE MOST IMPORTANT AMONGST THE BILATERAL ISSUES. THEREFORE, IT EXPRESSED ITS HOPES THAT PRESIDENT CARTER WOULD NOT IMPOSE RESTRICTIONS.

SUBSEQUENTLY, PRESIDENT CARTER DECIDED NOT TO IMPOSE QUOTAS OR INCREASE TARIFFS. THIS DECISION HAS BEEN CONSIDERED IN SPAIN AS "HELPFUL AND UNDERSTANDING."

COUNTERVAILING DUTIES

THE SPANISH SIDE MENTIONED THE COOPERATION WHICH THE LIMITED OFFICIAL USE

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SPANISH GOVERNMENT HAS GIVEN THE U.S. TREASURY DEPARTMENT IN ITS INVESTIGATION OF THE SPANISH SYSTEM OF TAX REBATES (DESGRAVACION FISCAL). NOTING THAT THE SYSTEM DATES FROM 1964, THE SPANISH CONTENDED THAT IT IS NOT THE REASON FOR SPANISH PENETRATION IN THE U.S. MARKET, WHICH IS ATTRIBUTABLE RATHER TO READJUSTMENTS IN THE PESETA/DOLLAR EXCHANGE RATE. THE SPANISH REPRESENTATIVE ALSO INDICATED THAT SUCH A SYSTEM IS SIMILAR TO THE EEC'S VAT SYSTEM (VALUE ADDED TAX) AND THAT, THEREFORE, THE U.S. TREASURY DEPARTMENT SHOULD NOT DISCRIMINATE AGAINST IT BY IMPOSING COUNTERVAILING DUTIES.

THE SIDE POINTED OUT THE DIFFICULTY OF CALCULATING THE EFFECT OF THE SPANISH CASCADE TAX, BUT STATED THAT THE TREASURY BELIEVES THERE IS AN ELEMENT OF SUBSIDY IN THE TAX REBATE WHICH JUSTIFIES THE COMPENSATORY TAX. IT ADDED THAT THE TREASURY DOES NOT IMPOSE SUCH DUTIES FOR PROTECTIONIST PURPOSES. THE SPANISH SIDE NOTED THAT THE SPANISH ZINC INDUSTRY HAD RECENTLY FURNISHED INFORMATION ON ITS OPERATIONS AND EXPRESSED THE HOPE THAT THE US WOULD CONSIDER IT SUFFICIENT,

ADDING THAT SHIPMENTS TO THE US MARKET THROUGHOUT THE YEAR HAVE BEEN LOWER THAN IN THE PRECEDING YEAR AND THAT THEY WOULD NOT REACH 50,000 TONS.

SUBSEQUENTLY, THE US IMPOSED AN ESTIMATED COUNTER-
VAILING DUTY OF FOUR PERCENT ON SPANISH ZINC EXPORTS. IN PRO-
GRESS IS AN INVESTIGATION OF SPANISH EXPORTS OF IRON/STEEL
CHAINS AND THEIR COMPONENTS. THE U.S. HAS INDICATED A WILLING-
NESS TO DISCUSS THESE AND OTHER COUNTERVAILING DUTY ISSUES
FURTHER.

THE DISC SYSTEM

THE SPANISH SIDE SAID THAT, IF THE U.S. HAD DOUBTS AS TO
WHETHER THE SPANISH TAX REBATE SYSTEM COUNTAINED A SUBSIDY, A
GROUP OF EXPERTS OF THE GATT HAD DECLARED THAT THE US DISC
SYSTEM IS A SUBSIDY, ADDING THAT THE SPANISH GOVERNMENT IS
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BEING PRESSED TO ADOPT MEASURES AGAINST AMERICAN EXPORTS BENE-
FITTING FROM THE DISC SYSTEM WHICH REPRESENT 80 PERCENT OF
ALL EXPORT TO SPAIN.

THE US SIDE REPLIED THAT THE UNITED STATES IS PREPARED
TO DISCUSS THE DISC SYSTEM WITHIN THE GATT RELATIVE TO THE TAX
POLICIES OF VARIOUS OTHER COUNTRIES, ADDING THAT THE DISC HAS
NO RELATION TO COUNTERVAILING DUTY ACTIONS. A SPANISH REPRESENTATIVE SAID THAT "A SUBSIDY IS A SUBSIDY."

FISHING

THE SPANISH SIDE EXPRESSED ITS DESIRE THAT, IN VIEW OF
THE TIME LOST IN THE SIGNING OF THE FISHING AGREEMENT BETWEEN
SPAIN AND THE UNITED STATES AND INASMUCH AS QUOTAS ARE ESTABLISHED
IN ACCORDANCE WITH AVAILABLE RESOURCES, THE UNITED STATES
INCREASE THE VALID FISHING PERIOD IN ORDER TO COMPENSATE FOR
THIS DELAY. THE US SIDE ANSWERED THAT IT WOULD BRING THE
SPANISH REQUEST TO THE ATTENTION OF THE APPROPRIATE AGENCIES.
TO DATE NO REPLY HAS BEEN RECEIVED.

DOUBLE TAX IMPOSITION

A MEETING WAS HELD IN MADRID ON MARCH 21 BETWEEN THE
TEAMS NEGOTIATING A TAX AGREEMENT. THE POSITIONS OF BOTH SIDES
WERE IN SUBSTANTIAL AGREEMENT ON THE TEXT OF A DOUBLE TAXATION
TREATY WITH ONLY A FEW DEFINITIONAL POINTS TO BE RESOLVED.

THE SPANISH SIDE EXPRESSED ITS HOPE THAT FUTURE MEETINGS
OF THE JOINT ECONOMIC COMMITTEE CAN BE INCREASINGLY EFFECTIVE.

END TEXT.STABLER

NOTE BY OC/T: DISSEMINATION COORDINATED WITH MR. SCHUMAKER, S/S-O.

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